



CITY OF GROSSE POINTE WOODS
20025 Mack Plaza Drive
Grosse Pointe Woods, Michigan 48236-2397

NOTICE OF MEETING AND AGENDA

Finance Committee Meeting
Monday, August 21, 2017
7:15 p.m.
City Hall Conference Room

1. Call to Order/Roll Call
2. Acceptance of Agenda
3. Finance Committee Minutes 04/10/17
4. Investment Policy
5. New Business/Public Comment
6. Adjournment

PUBLIC INVITED: IN ACCORDANCE WITH PUBLIC ACT 267 OF 1976 (OPEN MEETINGS ACT), ALL MEMBERS OF THE GROUP SELECTED, AS WELL AS THE GENERAL PUBLIC, ARE INVITED TO ATTEND THE FOLLOWING MEETING.

cc:

McConaghy
Novitke
Koester

File
Behrens
Smith

Hathaway

Submitted by: Todd McConaghy

Office Held: Chair

Telephone: 313 343-2440

MINUTES OF THE FINANCE COMMITTEE MEETING OF THE CITY OF GROSSE
POINTE WOODS HELD ON MONDAY, APRIL 10, 2017, IN THE CONFERENCE
ROOM OF THE MUNICIPAL BUILDING, 20025 MACK PLAZA, GROSSE POINTE
WOODS, MICHIGAN.

The meeting was called to order at 6:19 p.m. by Chair McConaghy.

In attendance: Chairman McConaghy
Members: Novitke

Absent: Koester

Also present: City Administrator Smith
Treasurer/Comptroller Behrens
Executive Assistant Como

Also present Council Member Shetler.

Motion by Novitke, seconded by McConaghy, to excuse Committee Member
Koester from tonight's meeting.

Motion passed by the following vote:

Yes: McConaghy, Novitke
No: None
Absent: Koester

Motion by Novitke, seconded by McConaghy, that all items on tonight's agenda
be received and placed on file and taken in order of appearance.

Motion passed by the following vote:

Yes: McConaghy, Novitke
No: None
Absent: Koester

Motion by McConaghy, seconded by Novitke, that the meeting minutes dated
April 3, 2017, be approved as amended.

Motion passed by the following vote:

Yes: McConaghy, Novitke
No: None
Absent: Koester

The purpose of tonight's meeting was a continuation of reviewing the **proposed budget**.

First item discussed was Healthcare Insurance Expenses. The Chair McConaghy opened the meeting asking who would like to speak first. Treasurer/Comptroller Behrens stated the previous 2017/18 budget books distributed have been updated. Additionally, she distributed two charts relating to healthcare rates provided by Cornerstone:

- *City of Grosse Pointe Woods Plan Cost Roll Up-Budget Comparison – Previous Plan Year vs. Projected Plan Year;*
- *City of Grosse Pointe Woods Alternatives for Collective Bargaining – All (Includes 2 Non Employee Purchasers).*

Also distributed, was a sheet highlighting the 2016-2017 Budgeted Insurance Expenses and 2017-2018 Budget Insurance Expenses.

At the previous meeting, the Committee Member Novitke indicated that the reason the city switched to a HSA Plan was to save money, and the numbers previously presented did not show any savings. Treasurer/Comptroller stated she had been provided with updated rates and has since updated each department's budget. In doing so, it was realized that the new HSA Plan is anticipated to save the city approximately \$125,000 between July 1, 2017 and June 30, 2018, in addition to the savings budgeted this fiscal year.

After receiving the new proposed budget figures from the Treasurer/Comptroller, the Chair inquired how much will need to be taken out of the city's Fund Balance to balance the 2017/18 FY Budget. The Treasurer/Comptroller replied \$200,000 if the city bonds.

Next the Treasurer/Comptroller informed the Committee Members that currently there is over \$616,000 in transfers from the General Fund which is utilized to balance other municipal funds.

Discussion was then held about going out for a bond with a millage increase versus obtaining a bond without a vote of the people regarding infrastructure improvements.

The City Administrator discussed with the Committee how he spent time with the Director of Public Works Schulte touring the city facilities and developing a capital improvement list of things that should be done in order of priority. The list of improvements needed was then discussed.

The Comptroller/Treasurer provided the Committee with a Municipal Improvement Budget Fund informational packet. Furthermore, she advised the committee that the type of bond Bendzinski & Company would recommend for the city would be a Capital Improvement Bond, which is a Limited General Obligation Bond based upon depreciation.

Next, Committee Member Novitke asked the Treasurer/Comptroller why there is such an increase with utilizing outside contractors and asked her to look into whether or not it would be more advantageous for the city to hire a full-time DPW employee.

Additionally, he asked why HSA is not listed in the Parks and Receptions budget and the Treasurer/Comptroller stated that it was but in error it was listed under prescription.

Further discussion regarding the proposed budget ensued.

The Treasurer/Comptroller informed the Committee Members of the following:

- General Fund balance is \$13,583,830.00;
- Total budget, including transfers, is \$38,190,010.00;
- Internal transfers total approximately \$1.1 million;
- SEV is \$659,449,995.00;
- Taxable SEV is \$651,213,015.00;
- One mill equals \$651,213.00;
- The county has confirmed there will not be a Headlee rollback this year.

Motion by Novitke, seconded by McConaghy, that the Finance Committee recommend that City Council consider adopting the FY 2017/18 proposed budget subject to consideration being given to bonding.

Motion passed by the following vote:

Yes: McConaghy, Novitke
No: None
Absent: Koester

New Business:

The Treasurer/Comptroller distributed information pertaining to leasing a tractor and municipal bond ratings.

FINANCE COMMITTEE
04-10-17

Motion by McConaghy, seconded by Novitke, that tonight's meeting be adjourned at 7:02 p.m. PASSED UNANIMOUSLY.

Respectfully submitted,

Susan Como
Executive Assistant



CITY OF GROSSE POINTE WOODS
MEMORANDUM

BE

RECEIVED
JUL 19 2017
CITY OF GROSSE PTE. WOODS

Date: August 7, 2017

To: Mayor & City Council

From: Cathrene Behrens, City Treasurer/Comptroller

Subject: Investment Policy Update

In reviewing the City's Investment Policy, I found that the existing list of authorized dealers and institutions is no longer applicable for the City in accordance with Article XIV. The policy was last reviewed in June 2007 by both Plante Moran and the City Finance Committee. At that time there were no changes made. Changes that I am recommending be approved include removing all references to the Finance Director and changing it to City Treasurer/Comptroller and changing all references to the City Manager, updating it to City Administrator.

The current policy remains in compliance with Public Act 20 and I do not recommend any further changes other than approval of Appendix A; List of Authorized Dealers and Institutions and the structural changes to the policy reflecting staff titles.

Thank you.

CITY OF GROSSE POINTE WOODS INVESTMENT POLICY



Prepared by:
City Treasurer/Comptroller Revised 3/03/1998
City Treasurer/Comptroller Revised 08/07/2017
Approved by Council: 05/04/1998

Submitted to Council for Approval 08/07/2017

Required: Annual review by Financial Committee

Last Reviewed: *Submitted to Finance Committee for review: 07/18/2017*

I. Policy

It is the policy of the City of Grosse Pointe Woods to invest its public funds in a manner which will provide maximum security with an above average investment return while meeting the daily cash flow demands of the entity and conforming to all State statutes and local ordinances governing the investment of public funds.

II. Scope

This investment policy applies to all financial assets held by the City of Grosse Pointe Woods other than pension fund assets. These assets are accounted for in the City of Grosse Pointe Woods annual financial report and include:

- 1) General fund
- 2) Special revenue funds
- 3) Debt service funds
- 4) Capital project funds
- 5) Enterprise funds
- 6) Internal service funds
- 7) Trust and Agency funds

Any new fund created by the local unit, unless specifically exempted by the legislative body.

In addition, this policy applies to investments held by the City of Grosse Pointe Woods of which it may have oversight authority.

This investment policy applies to all transactions involving the invested assets and related activity of all the foregoing funds.

III. Investment Objectives

The following investment objectives, in priority order, will be applied in the cash management of the City of Grosse Pointe Woods funds:

A. Safety

The primary objective of the City of Grosse Pointe Woods investment activities is the preservation of capital in the overall portfolio and the protection of the investment principal.

B. Liquidity

The investment portfolio will remain sufficiently liquid to enable the City of Grosse Pointe Woods to meet daily operation requirements, which might be reasonably anticipated.

C. Return on Investment

Subject to the foregoing constraints, the City of Grosse Pointe Woods will strive to maximize the return on the portfolio. The investment portfolio shall be designed with the objective of regularly exceeding a benchmark of the average return of ninety day U.S. Treasury Bills, consistent with risk limitations identified herein and prudent investment principles.

IV. Prudence

In managing its investment portfolio, City of Grosse Pointe Woods officials shall avoid any/all transaction(s) that might impair public confidence. Investment shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the overall portfolio. Investment officers of the City of Grosse Pointe Woods acting in accordance with State statute, this Investment Policy, and written procedures, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control and/or limit adverse developments.

V. Delegation of Authority

Authority to manage the City of Grosse Pointe Woods investment program is derived from State statutes, City Charter, and applicable City ordinances and resolutions.

Overall responsibility for the cash management and the investment program is hereby delegated to the City Treasurer/Comptroller (City Treasurer/Comptroller means City Treasurer/Comptroller or his designee), who shall establish written procedures, subject to review, for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under terms of this Policy and procedures established by the City Treasurer/Comptroller. Such procedures should also include reference to safekeeping, (PSA) repurchase agreements, wire transfer agreements, collateral or depository agreements, use of brokerage services, and banking service contracts. The City Treasurer/Comptroller shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate officials.

VI. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with proper execution of the investment program, or which could impair or create the appearance of impairment on their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Administrator any material financial interest in financial institutions that conduct business with the City or have a financial interest in any vendor that may do business with the City, and they shall further disclose any large personal financial investment positions that could be related to other performance of the City of Grosse Pointe Woods portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City of Grosse Pointe Woods particularly with regard to the time of purchase and sales. Officers and employees shall divulge to the City Administrator all purchases or sales of commercial or industrial real estate within the City and all sales or purchases of commercial or industrial property in any business entity in which they have financial interest. Officers and employees involved in the investment process shall further divulge to the City Administrator any loans which maybe be made or received by them from any financial institutions that conduct business with the City, or vendors who conduct business with the City, or any entity that may be buying or selling commercial or industrial property within the City of Grosse Pointe Woods.

VII. Authorized Financial Dealers and Institutions

The City Treasurer/Comptroller will maintain a list, which has been reviewed by the legislative body on an annual basis, of financial institutions, which provide investment and depository services, Appendix A. In addition, a list will also be maintained of approved security broker/dealers, who maintain an office in the State of Michigan or who are "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by State statute.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the City Treasurer/Comptroller with the following: audited financial statements for the most recent fiscal year; certification of having read the City of Grosse Pointe Woods investment policy and the pertinent State statutes; proof of National Association of Security Dealers certification; and proof of State registration, where applicable. An annual review of the financial condition and registration of qualified bidders will be conducted by the City Treasurer/Comptroller. Information indicating a loss or prospective loss of capital on existing investments must be shared with the City Administrator of the City of Grosse Pointe Woods immediately upon notification.

VIII. Authorized and Suitable Investments

- A. The City of Grosse Pointe Woods is empowered by the State statute (1988 Public Act 239, M.C.L. 129.91), attached to the invest in the following types of securities:
1. Bonds, securities, Rev Corps, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the government national mortgage association;
 2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the federal deposit insurance corporation, or a savings and loan which is a member of federal savings and loan insurance corporation, or a credit union administration, but only if the bank, savings and loan, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended.
 3. In United States government or federal agency obligation repurchase agreements;
 4. In bankers' acceptances in domestic branches of United States Banks;
 5. No more than 50 percent of any one fund may be invested in commercial paper rated at the time of purchase within three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase; and
 6. In money market mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- B. The **City Treasurer/Comptroller** is restricted to investments, which meet the statutory restrictions above and limitations on security issues and issuers as detailed below:
1. Repurchase agreements shall be negotiated only with dealers or financial institutions with which the unit has negotiated a Master Repurchase Agreement or with the City of Grosse Pointe Woods primary bank. Repurchase Agreements must be signed with the bank or dealer and must contain provisions similar to those outlined in the Public Security Association's Master Repurchase Agreement.
 2. Investments in Commercial Paper are restricted to those which have, at the time of purchase, the top two (2) investment ratings provided by any two (2) nationally recognized rating agencies. Commercial Paper held in the portfolio which subsequently receives a reduced rating lower than the top two (2) shall be closely monitored and sold immediately if the principal invested may otherwise be jeopardized.

3. To the extent possible, the investing officer will attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the City of Grosse Pointe Woods will not directly invest in securities maturing more than three (3) years from the date of purchase. However, repurchase agreements may be collateralized using longer-dated investments not to exceed 30 years to maturity. No more than 40 percent of the City of Grosse Pointe Woods total investment portfolio, as of June 30 of the preceding year, shall be placed in securities maturing in more than three (3) years.
4. Investments will be diversified by security type and institution; with the exception of U.S. Treasury securities and authorized investment pools, no more than 50 percent of the total investment portfolio will be invested in a single security type or 25 percent with a single financial institution.

IX. Pooling of Cash

Except for cash in certain restricted and/or special designated accounts, the City Treasurer/Comptroller may pool cash of various funds to maximize investment earnings. Investment income shall be allocated to the various funds based upon their respective participation.

X. Accounting

The City of Grosse Pointe Woods maintains its financial records on the basis of funds and account groups, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the pooled investment fund of the City of Grosse Pointe Woods in accordance with generally accepted accounting principles as promulgated by the Government Accounting Standards Board. Accounting treatment will include.

- Investments will be carried at cost or amortized cost, which approximates market.
- Premium or discount will be amortized over the life of the investment.
- Gains or losses of investments in all funds will be recognized at the time of disposition of the security.
- Market price shall be disclosed annually in the financial statements.

XI. Investment Performance and Reporting

The City Treasurer/Comptroller shall submit to the City Administrator a monthly investment report that provides the principal and type of the investment report that provides the principal and type of investment, annualized yield, earnings for each investment, and a summary report of cash and investments maintained in each financial institution. Information indicating a loss or prospective loss of capital on existing instruments and material deviations from projected investment strategies shall be reported immediately to the City Administrator.

XII. Safekeeping and Custody: Third-Party Custodial Agreements

All securities purchased by the City of Grosse Pointe Woods under this section shall be properly designated as an asset of the City of Grosse Pointe Woods and held in safekeeping by a third party custodial bank or other third party custodial institution, chartered by the United State government or the State of Michigan, and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by the City Treasurer/Comptroller or his designee.

The City of Grosse Pointe Woods will execute third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements will include letters of authority from the City of Grosse Pointe Woods, details as to responsibilities of each party, notification of security purchases, sales, deliver, repurchase agreements and wire transfers, safekeeping and transaction costs, procedures in case of wire failure, or other unforeseen mishaps, including liability of each party.

Securities will be held by a third party custodian designated by the City Treasurer/Comptroller and evidenced by safekeeping receipts.

XIII. Administrative Controls

The City Treasurer/Comptroller shall establish a system of administrative controls, documented in writing, which is designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions, by employees and officers of the City of Grosse Pointe Woods. Required elements of

the system of internal controls shall include the timely reconciliation of all bank accounts and trust receipt documentation. Internal controls will also encompass at a minimum the additional issues:

- Transfers of all funds (purchases, sales, etc.)
- Separation of functions, including transaction authority and accounting and record keeping
- Custodial safekeeping
- Avoidance of delivery of bearer from or non-wireable securities to the City of Grosse Pointe Woods
- Delegation of authority to subordinate staff members
- Written confirmation of telephone transactions
- Supervisory control of employee actions
- Specific guidelines regarding securities losses and remedial action
- Identification and minimization of the number of authorized investment officials

XIV. Investment Policy Adoption

The City of Grosse Pointe Woods investment policy shall be adopted by resolution of the City of Grosse Pointe Woods City Council. The policy shall be reviewed on an annual basis by members of the Finance Committee who will make recommendations, if any, to the Mayor and Council. Modifications made at that time or when necessitated by a State statutory revision must be approved by the City of Grosse Pointe Woods City Council.

CITY OF GROSSE POINTE WOODS INVESTMENT POLICY

Appendix A

List of Authorized Dealers and Institutions

Comerica Bank
Thomas R. Bush
P.O. Box 75000
Detroit, MI 48275-3354
(313) 222-7574

Citizens Bank
Barb Welker
328 S. Saginaw
Flint, MI 48502
(800) 634-6276

Community Central Bank
Kim Schmidt
121 K. Chival Avenue
Grosse Pointe Farms, MI 48236
(313) 541-0841

H & R Block
Robert Casaceli
6304 Orchard Lake Rd.
West Bloomfield, MI 48322
(248) 211-5595

Multi-Bank Securities, Inc.
Michael A. Walkowiak
28411 Northwestern Hwy.
Suite 1350
Southfield, MI 48034
(800) 967-9015

TD Private Bank
David P. Willis
65 Kercheval Ave.
Suite 111
Grosse Pointe Farms, MI 48236
(313) 885-0464

UBS Financial Services, Inc.
James S. Essian, Jr.
2301 W. Big Beaver Road
Suite 800
Troy, MI 48064-3321
(248) 822-3346

Appendix A

List of Authorized Dealers and Institutions

Comerica Bank
LaJeanna D. Turner
PO Box 75000
Detroit, MI 48275
(313) 222-3404

The PrivateBankcorp, Inc. - CIBC
Toni Koss
34901 Woodward Avenue, Suite 200
Birmingham, MI 48009
(248) 566-4700

Chemical Bank – formerly Talmer Bank & Trust
Julie M. Gust
2301 W. Big Beaver Road, Suite 525
Troy, MI 48084
(800) 462-2786

Multi-Bank Securities
Darryl Maccagnone
1000 Town Center, Suite 2300
Southfield, MI 48075
(800) 967-9025

Community Central Bank
Kim Schmidt
121 Kercheval Avenue
Grosse Pointe Farms, MI 48236
(313) 640-0848

Charles Schwab & Co., Inc.
Jeffrey A. Weaver, FEG
3011 W. Grand Blvd, Suite 2125
Detroit, MI 48202
(313) 875-4000

Flagstar Bank
Victoria Buddy
19733 Mack Avenue
Grosse Pointe Woods, MI 48236
(313) 886-1745